Setsoto Local Municipality
Financial statements
for the year ended 30 June 2014
Auditor-General of South Africa (AGSA)

General Information

Legal form of entity	A Municipality which is a organ of state within the local sphere of government exercising legislative and executive authority
Nature of business and principal activities	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
Mayor	Jakobo, Tshediso
Executive Committee	Koalane, Komane
	Mthimkhulu, Motena
	Mahlangu, Matseliso
	Makhalanyane, Tieho
	Makae, Thabang
	Strydom, Evert
Councillors	Mohlomi, Molefi - Speaker
	Mothibeli, Moselantja
	Mohapi, Dieketseng
	Mokhuoane, Krog
	Motsei, Matlakala
	Selasi, Motsamai
	Mabeleng, William
	Nakasi, Mojabeng
	Bath, Henry
	Thamae, Motsamai
	Hlakane, Moeketsi
	Mohala, Vunga
	Kere, Lefa
	Mevaleliso, Pakalitha
	Semahla, Mookho
	Maphisa, Mapuleng
	Muso, Thepiso
	Tsolo, Thabiso
	Malebo, Matsiliso
	Fuso, Sabata
	Raboroko, Mantwa
	Mohase, Teboho
	Selai, Lithebe
	Lubbe, Cornelias
	Du Toit, Benjamin
	Marwick, Clive (Dr)
	Bester, Catherine
	Maduna, Mbothoma
Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. STR Ramakarane
Chief Finance Officer (CFO)	Mr. GT Banda
Registered office	27 Voortrekkers Street Ficksburg 9730

General Information

Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank (FNB)
Auditors	Auditor-General of South Africa (AGSA)
Legal Manager	Mr. SK Kobeli PO Box 116, Ficksburg, 9370
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9363
E-mail Address	manager@setsoto.co.za

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The reports and statements set out below comprise the financial statements presented to the Auditor-General SA:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
COGTA	Department of Co-operative Governance and Traditional Affairs
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 13.

The financial statements set out on pages 14 to 96, which have been prepared on the going concern basis (Please refer to Note 55), were approved by the accounting officer on 29 August 2014 :

Mr. STR Ramakarane
Accounting Officer

29 August 2014

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Dr N Maharaj (Chairperson)	5
Mr T Zororo	5
Mr D S Moletsane	5
Mr S P Simelane	6
Mr H B Mathibela	5

All members are independent, with no interest in the management or conduct of the business of the Municipality and the members of the Audit and Performance Audit Committee were appointed on the 11 December 2013.

Audit and Performance Committee responsibility

The Audit and Performance Audit Committee reports complies with its responsibilities arising from section 166(2)(a) and (b) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation on some entities and this was evident by the reasonable assurance given by the Internal Audit Unit. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

The Audit and Performance Audit Committee had a concern on the content and quality of the quarterly reports submitted to them however the concerns raised are in the process of being rectified.

Evaluation of financial statements

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements that will be presented to the Auditor-General South Africa;
- reviewed changes in accounting policies and practices;
- reviewed the adjustment made which appear on notes of prior period error and re-classification

Internal audit

The Audit and Performance Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit and Performance Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit and Performance Audit Committee

Date: ____________________

AUDITOR-GENERAL

Report of the Auditor General

To the Provincial Legislature of Setsoto Local Municipality

Report on the financial statements

This report will be inserted after the completion of the audit.

Auditor-General of South Africa (AGSA)
Registered Auditors

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Setsoto municipal area..

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net deficit of the municipality was R 104,977,248 (2013: deficit R 114,290,080).

2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 3,558,337,357 and that the municipality's total assets exceed its liabilities by R 3,558,337,357.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality operate on a favourable bank balance for the financial year.

The municipality is aware of the debtors that is increasing and the reduction of it will be the implementation of the revenue enhancement strategy that has been approved by Council and it will be fully implemented in the financial year 2014-2015 as it will affect the cash flow forecast for financial year 30 June 2015.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements prepared in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Retirement benefit obligation

Management engaged in a process to carry out an GRAP 25: Employee Benefits actuarial valuation of the employer liability as at 30 June 2014 (“the valuation date”) arising from the post-retirement healthcare subsidy (“PRHS”) payable to current and retired employees. The change to this accounting policy did not have any material effect on the financial position of the Municipality. Refer to note 21 for detail about this valuations.

The valuation in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year .

Accounting Officer's Report

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

Name	Nationality
Mr. STR Ramakarane	RSA

9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 R
Assets			
Current Assets			
Inventories	3	3,992,369	3,967,884
Trade and Other Receivables from Exchange Transactions	5	59,871,293	49,428,958
Receivables from non-exchange transactions	6	20,541,847	14,791,524
VAT receivable	7	55,371,821	40,153,824
Current portion of Receivables	8	1,294	3,573
Cash and cash equivalents	9	12,597,635	18,308,766
		152,376,259	**126,654,529**
Non-Current Assets			
Investment property	10	83,280,939	80,476,976
Property, plant and equipment	11	3,443,924,716	3,570,457,426
Intangible assets	12	2,693,453	935,393
Heritage assets	13	14,506,753	14,506,753
Investments	4	2,599,033	2,206,611
Non Current Receivables	8	-	1,294
		3,547,004,894	**3,668,584,453**
Total Assets		**3,699,381,153**	**3,795,238,982**
Liabilities			
Current Liabilities			
Other financial liabilities	14	477,638	419,800
Finance lease obligation	15	-	703,212
Trade Payables and other payables from exchange transactions	16	39,000,655	49,311,063
VAT Payable	17	29,290,116	8,921,624
Consumer deposits	18	2,282,424	2,241,454
Unspent conditional grants and receipts	19	4,320,809	6,087,659
Provisions	20	1,168,000	719,000
Bank overdraft	9	-	1,421,411
		76,539,642	**69,825,223**
Non-Current Liabilities			
Non-Other financial liabilities	14	6,825,513	7,303,151
Provisions	20	16,493,836	9,635,102
Employee benefit obligation	21	41,184,805	50,573,806
		64,504,154	**67,512,059**
Total Liabilities		**141,043,796**	**137,337,282**
Net Assets		**3,558,337,357**	**3,657,901,700**
Accumulated surplus		3,558,337,357	3,657,901,700

Statement of Financial Performance

	Note(s)	2014 R	2013 R
Revenue			
Revenue from exchange transactions			
Service charges	23	110,345,834	101,730,333
Rental of facilities and equipment	24	701,364	88,315
Licences and permits		21,064	7,849
Sale of land		281,573	27,033
Other income	25	17,396,900	4,767,987
Interest earned	26	22,291,885	30,795,024
Insurance Claims	40	28,236	-
Dividends received		29,974	28,114
Total revenue from exchange transactions		**151,096,830**	**137,444,655**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	33,441,460	33,194,514
Transfer revenue			
Government grants & subsidies	28	270,948,426	273,373,394
Fines		2,165,550	1,643,313
Total revenue from non-exchange transactions		**306,555,436**	**308,211,221**
Total revenue	29	**457,652,266**	**445,655,876**
Expenditure			
Employee related costs	30	(133,615,112)	(130,717,259)
Remuneration of councillors	31	(9,405,022)	(8,520,413)
Depreciation and amortisation	33	(210,353,396)	(213,060,623)
Impairment loss/ Reversal of impairments	34	(1,052,928)	(879,761)
Finance costs	35	(1,041,054)	(1,265,372)
Debt impairment	36	(57,167,595)	(70,597,892)
Collection costs		(763,607)	(2,115,546)
Repairs and maintenance		(19,995,587)	(29,979,461)
Bulk purchases	37	(52,561,888)	(48,436,867)
Contracted services	38	(7,259,404)	(5,653,064)
Grants and subsidies paid	39	(3,876,829)	(8,178,319)
Loss on disposal of assets	40	(5,670,141)	(159,741)
General Expenses	41	(59,866,951)	(40,381,638)
Total expenditure		**(562,629,514)**	**(559,945,956)**
Operating deficit		**(104,977,248)**	**(114,290,080)**
Deficit for the year		**(104,977,248)**	**(114,290,080)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2012	**3,768,612,933**	**3,768,612,933**
Changes in net assets		
Surplus/(deficit) for the year	(114,290,080)	(114,290,080)
Depreciation on Heritage Assets Corrected	3,418,267	3,418,267
Correct Hall Deposits	24,837	24,837
Correction in terms of previous years	1,483,882	1,483,882
Correct Heritage asset to agree to register	(1,348,139)	(1,348,139)
Total changes	(110,711,233)	(110,711,233)
Balance at 01 July 2013	**3,657,901,700**	**3,657,901,700**
Changes in net assets		
Corrections effecting previous years	5,412,905	5,412,905
Net income (losses) recognised directly in net assets	5,412,905	5,412,905
Surplus/(deficit) for the year	(104,977,248)	(104,977,248)
Total recognised income and expenses for the year	(99,564,343)	(99,564,343)
Total changes	(99,564,343)	(99,564,343)
Balance at 30 June 2014	**3,558,337,357**	**3,558,337,357**

Cash Flow Statement

	Note(s)	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Property Rates		29,361,027	34,701,881
Sale of goods and services		85,433,374	60,266,589
Grants		270,948,426	273,373,394
Interest income		2,902,981	2,311,523
Dividends received		29,974	28,114
Other receipts		20,594,687	6,534,497
		409,270,469	377,215,998
Payments			
Employee costs		(143,020,134)	(139,237,672)
Suppliers		(172,881,362)	(131,847,082)
Finance costs		(1,041,054)	(1,265,372)
		(316,942,550)	(272,350,126)
Net cash flows from operating activities	42	**92,327,919**	**104,865,872**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(88,069,828)	(70,708,301)
Disposal of property, plant and equipment	11	6,379,055	-
Purchase of investment property	10	(4,644,711)	-
Purchase of other intangible assets	12	(2,047,225)	(508,727)
Proceeds from sale of financial assets		(392,422)	(249,917)
Purchase of non current receivables		(1,049,355)	-
Proceeds from sale of non current receivables		(5,670,141)	3,572
Net cash flows from investing activities		**(95,494,627)**	**(71,463,373)**
Cash flows from financing activities			
Repayment of other financial liabilities		(419,800)	(369,151)
Finance lease payments		(703,212)	(1,724,294)
Net cash flows from financing activities		**(1,123,012)**	**(2,093,445)**
Net increase/(decrease) in cash and cash equivalents		**(4,289,720)**	**10,096,245**
Cash and cash equivalents at the beginning of the year		16,887,355	6,791,110
Cash and cash equivalents at the end of the year	9	**12,597,635**	**16,887,355**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	121,176,112	(1,980,527)	**119,195,585**	110,345,834	**(8,849,751)**	
Rental of facilities and equipment	734,200	78,485	**812,685**	701,364	**(111,321)**	
Licences and permits	12,000	9,000	**21,000**	21,064	**64**	
Sale of land	500,000	(31,802)	**468,198**	281,573	**(186,625)**	
Insurance Claims	-	-	**-**	28,236	**28,236**	
Other income	18,999,968	(16,567,374)	**2,432,594**	17,396,900	**14,964,306**	
Interest received - investment	30,600,000	(10,693,394)	**19,906,606**	22,291,885	**2,385,279**	
Dividends received	-	29,974	**29,974**	29,974	**-**	
Total revenue from exchange transactions	**172,022,280**	**(29,155,638)**	**142,866,642**	**151,096,830**	**8,230,188**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26,809,043	10,058,059	**36,867,102**	33,441,460	**(3,425,642)**	
Government grants & subsidies	241,722,000	11,950,066	**253,672,066**	270,948,426	**17,276,360**	
Transfer revenue						
Fines	270,000	4,180,275	**4,450,275**	2,165,550	**(2,284,725)**	
Total revenue from non-exchange transactions	**268,801,043**	**26,188,400**	**294,989,443**	**306,555,436**	**11,565,993**	
Total revenue	**440,823,323**	**(2,967,238)**	**437,856,085**	**457,652,266**	**19,796,181**	
Expenditure						
Personnel	(123,034,783)	(17,250,039)	**(140,284,822)**	(133,615,112)	**6,669,710**	
Remuneration of councillors	(9,079,404)	(403,247)	**(9,482,651)**	(9,405,022)	**77,629**	
Administration	(1,258,422)	(321,834)	**(1,580,256)**	-	**1,580,256**	
Depreciation and amortisation	(164,918,096)	115,267,795	**(49,650,301)**	(210,353,396)	**(160,703,095)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(1,052,928)	**(1,052,928)**	
Finance costs	(1,880,000)	888,908	**(991,092)**	(1,041,054)	**(49,962)**	
Debt impairment	(53,328,128)	(24,929,647)	**(78,257,775)**	(57,167,595)	**21,090,180**	
Collection costs	(300,000)	(1,166,363)	**(1,466,363)**	(763,607)	**702,756**	
Repairs and maintenance	(28,997,100)	15,535,296	**(13,461,804)**	(19,995,587)	**(6,533,783)**	
Bulk purchases	(54,000,000)	513,025	**(53,486,975)**	(52,561,888)	**925,087**	
Contracted Services	(5,500,000)	(2,338,567)	**(7,838,567)**	(7,259,404)	**579,163**	
Grants and subsidies paid	(15,665,000)	279,140	**(15,385,860)**	(3,876,829)	**11,509,031**	
General Expenses	(35,799,936)	69,190,692	**(52,646,619)**	(59,866,951)	**(7,220,332)**	
Total expenditure	**(493,760,869)**	**155,265,159**	**(424,533,085)**	**(556,959,373)**	**(132,426,288)**	
Operating deficit	**(52,937,546)**	**152,297,921**	**13,323,000**	**(99,307,107)**	**(112,630,107)**	
Loss on disposal of assets and liabilities	-	-	**-**	(5,670,141)	**(5,670,141)**	
Deficit before taxation	**(52,937,546)**	**152,297,921**	**13,323,000**	**(104,977,248)**	**(118,300,248)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(52,937,546)**	**152,297,921**	**13,323,000**	**(104,977,248)**	**(118,300,248)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	3,992,369	**3,992,369**	
Receivables from non-exchange transactions	-	-	-	13,044,818	**13,044,818**	
VAT receivable	-	-	-	55,371,821	**55,371,821**	
Consumer debtors	-	-	-	67,368,322	**67,368,322**	
Current portion of Receivables	-	-	-	1,294	**1,294**	
Cash and cash equivalents	-	-	-	12,597,635	**12,597,635**	
	-	**-**	**-**	**152,376,259**	**152,376,259**	
Non-Current Assets						
Investment property	-	-	-	83,280,939	**83,280,939**	
Property, plant and equipment	76,389,500	8,840,359	**85,229,859**	3,443,924,716	**3,358,694,857**	
Intangible assets	2,100,000	-	**2,100,000**	2,693,453	**593,453**	
Heritage assets	-	-	-	14,506,753	**14,506,753**	
Investments	-	-	-	2,599,033	**2,599,033**	
	78,489,500	**8,840,359**	**87,329,859**	**3,547,004,894**	**3,459,675,035**	
Total Assets	**78,489,500**	**8,840,359**	**87,329,859**	**3,699,381,153**	**3,612,051,294**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	477,638	**477,638**	
Trade Payables and other payables from exchange transactions	-	-	-	39,000,655	**39,000,655**	
Taxes and transfers payable (non-exchange)	-	-	-	29,290,116	**29,290,116**	
Consumer deposits	-	-	-	2,282,424	**2,282,424**	
Unspent conditional grants and receipts	-	-	-	4,320,809	**4,320,809**	
Provisions	-	-	-	1,168,000	**1,168,000**	
	-	**-**	**-**	**76,539,642**	**76,539,642**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	6,825,513	**6,825,513**	
Employee benefit obligation	-	-	-	41,184,805	**41,184,805**	
Provisions	-	-	-	16,493,836	**16,493,836**	
	-	**-**	**-**	**64,504,154**	**64,504,154**	
Total Liabilities	**-**	**-**	**-**	**141,043,796**	**141,043,796**	
Net Assets	**78,489,500**	**8,840,359**	**87,329,859**	**3,558,337,357**	**3,471,007,498**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(52,937,539)	66,223,454	**13,285,915**	3,558,337,358	**3,545,051,443**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2014											
Financial Performance											
Property rates	26,809,043	10,058,059	36,867,102	-		36,867,102	33,441,460		(3,425,642)	91 %	125 %
Service charges	121,176,112	(1,980,527)	119,195,585	-		119,195,585	110,345,834		(8,849,751)	93 %	91 %
Investment revenue	30,600,000	(10,663,420)	19,936,580	-		19,936,580	22,321,859		2,385,279	112 %	73 %
Transfers recognised - operational	172,835,000	834,707	173,669,707	-		173,669,707	192,347,767		18,678,060	111 %	111 %
Other own revenue	20,516,168	(12,331,416)	8,184,752	-		8,184,752	20,594,687		12,409,935	252 %	100 %
Total revenue (excluding capital transfers and contributions)	**371,936,323**	**(14,082,597)**	**357,853,726**	**-**		**357,853,726**	**379,051,607**		**21,197,881**	**106 %**	**102 %**
Employee costs	(123,034,783)	(17,250,039)	(140,284,822)	-	-	(140,284,822)	(133,615,112)	-	6,669,710	95 %	109 %
Remuneration of councillors	(9,079,404)	(403,247)	(9,482,651)	-	-	(9,482,651)	(9,405,022)	-	77,629	99 %	104 %
Debt impairment	(53,328,128)	(24,929,647)	(78,257,775)			(78,257,775)	(57,167,595)	-	21,090,180	73 %	107 %
Depreciation and asset impairment	(164,918,096)	115,267,795	(49,650,301)			(49,650,301)	(211,406,324)	-	(161,756,023)	426 %	128 %
Finance charges	(1,880,000)	888,908	(991,092)	-	-	(991,092)	(1,041,054)	-	(49,962)	105 %	55 %
Materials and bulk purchases	(54,000,000)	513,025	(53,486,975)	-	-	(53,486,975)	(52,561,888)	-	925,087	98 %	97 %
Transfers and grants	(15,665,000)	279,140	(15,385,860)	-	-	(15,385,860)	(3,876,829)	-	11,509,031	25 %	25 %
Other expenditure	(71,855,458)	(5,175,243)	(77,030,701)	-	-	(77,030,701)	(93,555,690)	-	(16,524,989)	121 %	130 %
Total expenditure	**(493,760,869)**	**69,190,692**	**(424,570,177)**	**-**	**-**	**(424,570,177)**	**(562,629,514)**	**-**	**(138,059,337)**	**133 %**	**114 %**
Surplus/(Deficit)	**(121,824,546)**	**55,108,095**	**(66,716,451)**	**-**		**(66,716,451)**	**(183,577,907)**		**(116,861,456)**	**275 %**	**151 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	68,887,000	11,115,359	80,002,359	-		80,002,359	78,600,659		(1,401,700)	98 %	114 %
Surplus (Deficit) after capital transfers and contributions	**(52,937,546)**	**66,223,454**	**13,285,908**	**-**		**13,285,908**	**(104,977,248)**		**(118,263,156)**	**(790)%**	**198 %**
Surplus/(Deficit) for the year	**(52,937,546)**	**66,223,454**	**13,285,908**	**-**		**13,285,908**	**(104,977,248)**		**(118,263,156)**	**(790)%**	**198 %**
Capital expenditure and funds sources											
Total capital expenditure	78,489,500	8,840,359	87,329,859	-		87,329,859	35,941,083		(51,388,776)	41 %	46 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	92,327,919		92,327,919	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(95,494,627)		(95,494,627)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(1,123,012)		(1,123,012)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(4,289,720)**		**(4,289,720)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	16,887,355		16,887,355	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**12,597,635**		**(12,597,635)**	**DIV/0 %**	**DIV/0 %**

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2013				
Financial Performance				
Property rates				33,194,514
Service charges				101,730,333
Investment revenue				30,823,138
Transfers recognised - operational				186,156,835
Other own revenue				6,534,497
Total revenue (excluding capital transfers and contributions)				**358,439,317**
Employee costs	-	-	-	(130,717,259)
Remuneration of councillors	-	-	-	(8,520,413)
Debt impairment	-	-	-	(70,597,892)
Depreciation and asset impairment	-	-	-	(213,940,384)
Finance charges	-	-	-	(1,265,372)
Materials and bulk purchases	-	-	-	(48,436,867)
Transfers and grants	-	-	-	(8,178,319)
Other expenditure	-	-	-	(78,289,450)
Total expenditure	**-**	**-**	**-**	**(559,945,956)**
Surplus/(Deficit)				**(201,506,639)**
Transfers recognised - capital				87,216,559
Surplus (Deficit) after capital transfers and contributions				**(114,290,080)**
Surplus/(Deficit) for the year				**(114,290,080)**
Capital expenditure and funds sources				
Total capital expenditure				3,973,425

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
Cash flows				
Net cash from (used) operating				104,865,872
Net cash from (used) investing				(71,463,373)
Net cash from (used) financing				(2,093,445)
Net increase/(decrease) in cash and cash equivalents				**31,309,054**
Cash and cash equivalents at the beginning of the year				6,791,110
Cash and cash equivalents at year end				**38,100,164**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that will be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;

- the actual amounts on a comparable basis.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Investment Property - land	indefinite
Investment Property - buildings	5 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	
• Land	Infinite
Buildings	
• Buildings	30 years
Infrastructure assets	
• Electricity	20 - 30 years
• Roads	10 - 30 years
• Water	15 - 20 years
Community assets	
• Buildings	30 years
• Recreational facilities	20 years
• Security measures	3 - 5 years
Other assets	
• Office equipment	3 - 7 years
• Furniture and fittings	7 - 10 years
• Motor vehicles	5 - 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.5 Intangible assets (continued)

Item	Useful life
Computer software, other	3 - 5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

1.11 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.12 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.14 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

1.14 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.15 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.17 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

1.17 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.19 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.19 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.19 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.20 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.20 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.21 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Assessment Rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- there has been compliance with the relevant legal requirements.
- Changes to property values during a reporting period, which are referred to as “interims”, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.
- There are two types of fines: spot fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.
- In respect of summonses the public prosecutor can decide whether to waive the made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.23 Borrowing costs

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

MFMA Circular No 68 and section 32 of the Municipal Finance Management Act No. 56 of 2003 states the following::

Irregular expenditure is defined in section 1 of the MFMA as follows:
“irregular expenditure”, in relation to a municipality or municipal entity, means—

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality’s supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

1.27 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2013 to 30/06/2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.30 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Notes to the Financial Statements

	2014	2013
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 12 (as revised 2012): Inventories	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 13 (as revised 2012): Leases	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP16: Intangible assets website costs	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 6: Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 7: Investments in Associates	01 April 2014	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 8: Interests in Joint Ventures	01 April 2014	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP108: Statutory Receivables	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Notes to the Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 106: Transfers of functions between entities not under common control	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 107: Mergers	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 20: Related parties	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 11: Consolidation – Special purpose entities	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	No effective date	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

3. Inventories

Consumable Stores	1,005,096	847,906
Tarr and cement	-	253,615
Water	676,273	555,363
Unsold Properties Held for Resale	2,311,000	2,311,000
	3,992,369	**3,967,884**

4. Investments

Designated at fair value		
Listed shares	889,879	652,242
Sanlam Shares		
Unlisted shares	736,283	624,980
OVK / EFC Shares		
	1,626,162	**1,277,222**
At amortised cost		
Other financial assets 1	972,871	929,389
Terms and conditions		
Total other financial assets	**2,599,033**	**2,206,611**

Notes to the Financial Statements

	2014 R	2013 R
Non-current assets		
Designated at fair value	1,626,162	1,277,222
At amortised cost	972,871	929,389
	2,599,033	**2,206,611**

5. Trade and Other Receivables from Exchange Transactions

	2014 R	2013 R
Gross balances		
Rates	27,247,484	23,167,051
Electricity	40,278,945	32,212,751
Water	69,350,731	53,590,611
Sewerage	50,398,998	37,558,435
Refuse	65,479,875	51,196,157
Other	7,336,934	13,986,165
	260,092,967	**211,711,170**
Less: Allowance for impairment		
Rates	(19,750,455)	(12,932,466)
Electricity	(27,254,700)	(22,587,718)
Water	(52,922,250)	(41,677,066)
Sewerage	(39,069,345)	(30,934,079)
Refuse	(48,677,823)	(40,735,854)
Other	(5,050,072)	(3,180,444)
	(192,724,645)	**(152,047,627)**
Net balance		
Rates	7,497,029	10,234,585
Electricity	13,024,245	9,625,033
Water	16,428,481	11,913,545
Sewerage	11,329,653	6,624,356
Refuse	16,802,052	10,460,303
Other	2,286,862	10,805,721
	67,368,322	**59,663,543**
Included in above is receivables from exchange transactions		
Electricity	13,024,245	9,625,033
Water	16,428,481	11,913,545
Sewerage	11,329,653	6,624,356
Refuse	16,802,052	10,460,303
Other	2,286,862	10,805,721
	59,871,293	**49,428,958**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	7,497,029	10,234,585
Net balance	**67,368,322**	**59,663,543**

Notes to the Financial Statements

5. Trade and Other Receivables from Exchange Transactions (continued)

	2014 R	2013 R
Rates		
Current (0 -30 days)	2,896,102	1,411,142
31 - 60 days	1,086,803	993,704
61 - 90 days	1,019,570	947,094
91 - 120 days	2,218,616	949,331
121 - 365 days	20,026,393	18,865,780
Less: Impairment	(19,750,455)	(12,932,466)
	7,497,029	**10,234,585**
Electricity		
Current (0 -30 days)	7,707,918	7,161,734
31 - 60 days	2,216,299	1,297,330
61 - 90 days	1,633,024	1,796,198
91 - 120 days	1,386,857	1,307,297
121 - 365 days	27,334,847	20,650,192
Less: Impairment	(27,254,700)	(22,587,718)
	13,024,245	**9,625,033**
Water		
Current (0 -30 days)	3,105,805	4,789,400
31 - 60 days	2,194,865	618,632
61 - 90 days	2,106,731	669,460
91 - 120 days	2,082,075	678,840
121 - 365 days	59,861,255	46,834,279
Less: Impairment	(52,922,250)	(41,677,066)
	16,428,481	**11,913,545**
Sewerage		
Current (0 -30 days)	1,239,141	374,767
31 - 60 days	1,481,142	399,958
61 - 90 days	1,421,591	416,061
91 - 120 days	1,404,049	395,846
121 - 365 days	44,853,075	35,972,484
Less: Impairment	(39,069,345)	(30,934,760)
	11,329,653	**6,624,356**
Refuse		
Current (0 -30 days)	4,175,032	474,200
31 - 60 days	1,773,070	464,972
61 - 90 days	1,673,080	484,768
91 - 120 days	1,679,738	457,848
121 - 365 days	56,178,955	49,314,369
Less: Impairment	(48,677,823)	(40,735,854)
	16,802,052	**10,460,303**

Notes to the Financial Statements

	2014 R	2013 R

5. Trade and Other Receivables from Exchange Transactions (continued)

	2014 R	2013 R
Other (specify)		
Current (0 -30 days)	1,082,177	68,409
31 - 60 days	118,800	80,583
61 - 90 days	133,182	87,442
91 - 120 days	161,115	50,040
121 - 365 days	5,841,661	13,699,691
Less: Impairment	(5,050,073)	(3,180,444)
	2,286,862	**10,805,721**

Summary of debtors by customer classification

	2014 R	2013 R
Consumers		
Current (0 -30 days)	9,009,400	4,436,472
31 - 60 days	7,973,532	2,652,370
61 - 90 days	6,927,325	3,130,682
91 - 120 days	7,676,547	2,591,940
121 - 365 days	174,524,381	151,277,174
	206,111,185	**164,088,638**
Industrial/ commercial		
Current (0 -30 days)	928,286	291,603
31 - 60 days	518,229	171,397
61 - 90 days	659,383	185,196
91 - 120 days	456,399	175,339
121 - 365 days	7,675,902	3,877,185
	10,238,199	**4,700,720**
National and provincial government		
Current (0 -30 days)	806,033	74,904
31 - 60 days	705,640	37,358
61 - 90 days	742,502	137,703
91 - 120 days	1,145,214	122,358
121 - 365 days	3,314,898	(2,444,960)
	6,714,287	**(2,072,637)**
Total		
Current (0 -30 days)	20,206,175	14,279,652
31 - 60 days	8,870,979	3,855,179
61 - 90 days	7,987,178	4,401,023
91 - 120 days	8,932,450	3,839,202
121 - 365 days	214,096,186	185,336,795
	260,092,968	211,711,851
Less: Allowance for impairment	(192,724,646)	(152,048,308)
	67,368,322	**59,663,543**

	2014 R	2013 R
Reconciliation of allowance for impairment		
Balance at beginning of the year	(152,047,627)	(270,423,277)
Contributions to allowance	(57,167,595)	(70,597,892)
Debt impairment written off against allowance	16,490,577	188,973,542
	(192,724,645)	**(152,047,627)**

	2014 R	2013 R

5. Trade and Other Receivables from Exchange Transactions (continued)

Consumer debtors pledged as security

No consumer debtors were pledged as security for overdraft facilities.

6. Receivables from non-exchange transactions

Fines	1,088,376	293,254
Sundry Debtors	9,951,697	3,123,311
Prepayments (Eskom and Fuel Deposits)	2,004,745	1,140,374
Rates (Details as per Note 5 above)	7,497,029	10,234,585
	20,541,847	**14,791,524**

7. VAT receivable

VAT Receivable	55,371,821	40,153,824

The Municipality is registerd on the payment basis, therefore VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

8. Non Current Receivables

Prior to the implementation of the MFMA, Council granted a long term loan to Ficksburg Squash Club for the building of a club house and squash courts. This loans is repayable to council on agreed terms and conditions.

Non Current Receivables		
Current portion from receivables	1,294	3,573
Non-current portion from Receivables	-	1,294
	1,294	**4,867**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,107	9,607
Bank balances	7,347,501	-
Short-term deposits	5,241,027	18,299,159
Bank overdraft	-	(1,421,411)
	12,597,635	**16,887,355**
Current assets	12,597,635	18,308,766
Current liabilities	-	(1,421,411)
	12,597,635	**16,887,355**

Cash and cash equivalents pledged as collateral

The Municipality has a overdraft facility of R3,000,000.00. There is a pledge amount of R3,000,000.00 against the investment account with account number 62049046205 to secure this overdraft facility..

Notes to the Financial Statements

	2014	2013
	R	R

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
FNB BANK - Current Account - 620 480 92647	7,336,317	733,772	941,019	7,347,501	(1,421,411)	2,254,288
FNB BANK - Business Money Market - 621 517 83563	206,552	197,375	190,747	206,552	197,375	190,747
FNB BANK - Savings Account - 620 490 46205	4,656,759	11,265,705	801,209	4,656,759	11,265,705	801,209
FNB BANK - Call Account - 6231 054 0465	377,716	6,836,079	3,535,879	3,777,116	6,836,079	3,535,879
Total	**12,577,344**	**19,032,931**	**5,468,854**	**15,987,928**	**16,877,748**	**6,782,123**

10. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	99,832,256	(16,551,317)	83,280,939	95,187,545	(14,710,569)	80,476,976

Reconciliation of investment property - 2014

	Opening balance	Work in progress	Impairments	Total
Investment property	80,476,976	4,644,711	(1,840,748)	83,280,939

Reconciliation of investment property - 2013

	Opening balance	Impairments	Total
Investment property	85,975,177	(5,498,201)	80,476,976

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	2014 R	2013 R

11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	48,107,989	-	48,107,989	48,107,989	-	48,107,989
Infrastructure	4,361,007,238	(1,289,412,475)	3,071,594,763	4,301,807,750	(1,098,418,522)	3,203,389,228
Community	367,821,394	(77,405,178)	290,416,216	365,423,750	(66,331,034)	299,092,716
Other property, plant and equipment	30,935,200	(20,882,413)	10,052,787	39,717,653	(22,926,905)	16,790,748
Landfill Site	24,054,920	(301,959)	23,752,961	3,248,754	(172,009)	3,076,745
Total	**4,831,926,741**	**(1,388,002,025)**	**3,443,924,716**	**4,758,305,896**	**(1,187,848,470)**	**3,570,457,426**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Work in Progress	Impairment 2014	Depreciation	Total
Land	48,107,989	-	-	-	-	-	48,107,98
Infrastructure	3,203,389,228	378,807	-	58,820,681	(7,663,901)	(183,330,052)	3,071,594,76
Community	299,092,716	2,397,644	-	-	-	(11,074,144)	290,416,21
Other property, plant and equipment	16,790,748	5,666,530	(6,379,055)	-	-	(6,025,436)	10,052,78
Landfill Site	3,076,745	20,806,166	-	-	-	(129,950)	23,752,96
	3,570,457,426	**29,249,147**	**(6,379,055)**	**58,820,681**	**(7,663,901)**	**(200,559,582)**	**3,443,924,71**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Work in Progress	Depreciation	Total
Land	48,107,989	-	-	-	48,107,989
Infrastructure	3,305,375,006	68,020,582	19,880,047	(189,886,407)	3,203,389,228
Community	311,369,833	-	-	(12,277,117)	299,092,716
Other property, plant and equipment	21,486,107	361,307	-	(5,056,666)	16,790,748
Landfill Site	880,283	2,326,412	-	(129,950)	3,076,745
	3,687,219,218	**70,708,301**	**19,880,047**	**(207,350,140)**	**3,570,457,426**

Pledged as security

No Property, Plant and Equipment was pledged as security.

Assets subject to finance lease (Net carrying amount)

With the physical verification process that was done to correct the infrastructure asset register and the movable asset register during the current financial year, new classifications was used and therefore certain figures changed from the prior year to the current year. There were also assets that were omitted from last year's asset register and these were subsequently added, also resulting in a change of prior period figures. Refer to note 56.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2014 R	2013 R

12. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,379,999	(686,546)	2,693,453	1,332,774	(397,381)	935,393

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	935,393	2,047,225	(289,165)	2,693,453

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	638,948	508,727	(212,282)	935,393

Pledged as security

No intangible assets are pledged as security:

Details of valuation

The effective date of the revaluations was 30 June 2010.

The valuation was based on open market value for existing use.

These assumptions were based on current market conditions at the date of recalculation.

13. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	14,506,753	-	14,506,753	14,506,753	-	14,506,753

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	14,506,753	14,506,753

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	14,506,753	14,506,753

Notes to the Financial Statements

	2014 R	2013 R

14. Borrowings

At amortised cost		
Financial liabilities	7,303,151	7,722,951

Refer to Appendix A for further details on the borrowings.

Non-current liabilities		
At amortised cost	6,825,513	7,303,151
Current liabilities		
At amortised cost	477,638	419,800

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	740,901
	-	740,901
less: future finance charges	-	(37,689)
Present value of minimum lease payments	**-**	**703,212**
Present value of minimum lease payments due		
- within one year	-	703,212

It is municipality policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2013: 11%).

16. Trade Payables and other payables from exchange transactions

Trade payables	16,023,580	18,063,133
Payments received in advanced	6,863,065	13,517,228
Staff leave accrual	8,262,453	9,583,884
Bonus	3,090,590	2,782,888
Deposits received	-	2,000
Other payables	3,767,209	5,341,965
Salary Control	993,758	19,965
	39,000,655	**49,311,063**

17. VAT payable

VAT payable	29,290,116	8,921,624

18. Consumer deposits

Electricity	2,275,816	2,235,454
Other	6,608	6,000
	2,282,424	**2,241,454**

Guarantees held in lieu of electricity and other deposits

Notes to the Financial Statements

	2014 R	2013 R

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG Grant	-	6,087,659
COGTA	3,320,809	-
National Lottery	1,000,000	-
	4,320,809	**6,087,659**

Movement during the year

Balance at the beginning of the year	6,087,658	16,925,217
Additions during the year	269,181,577	76,379,000
Income recognition during the year	(270,948,426)	(87,216,558)
	4,320,809	**6,087,659**

For the 2011-12 finacial year the Council concluded with National Treasury to repay an amount of R 11 million of unspent conditional grants (MIG) to the National Revenue Fund which will be payable within a period of twelve months. During the 2012-13 financial year the final outstanding amount of R7,800 000.00 was deducted from the Equitable Share in respect of the abovementioned agreement.

Notes to the Financial Statements

	2014 R	2013 R

20. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	2,945,966	6,597,604	(82,870)	9,460,700
Long service bonus short term portion)	719,000	449,000	-	1,168,000
Long service bonus (long term portion)	6,689,136	344,000	-	7,033,136
	10,354,102	**7,390,604**	**(82,870)**	**17,661,836**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	3,074,928	(128,962)	-	2,945,966
Long service bonus short term portion)	493,643	(603,974)	829,331	719,000
Long service bonus (long term portion)	5,861,825	1,882,000	(1,054,689)	6,689,136
	9,430,396	**1,149,064**	**(225,358)**	**10,354,102**

	2014	2013
Non-current liabilities	16,493,836	9,635,102
Current liabilities	1,168,000	719,000
	17,661,836	**10,354,102**

Notes to the Financial Statements

	2014 R	2013 R

20. Provisions (continued)

1. Long Service Bonus

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future. GRAP 25 valuation was done by management for the 2013/2014 financial year and membership data used can be summariesed as follow:

	2014	2013
Number of current employees	696	733

The amounts recognised in the statement of financial position are as follows:

Carrying value

	2014	2013
Present value long service awards liability - wholly unfunded	(7,408,000)	(6,355,000)
Service Cost	(953,000)	(719,000)
Interest Cost	(592,000)	(462,000)
Actuarial Benefits paid	858,873	829,000
Actuarial gains/(losses)	(106,873)	(701,000)
As at 30 June	(8,201,000)	(7,408,000)

Key assumptions used

Financial Variables
The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2014 (Current Valuation)	Assumed Value at 30-06-2013 (Preceding Valuation)
Discount Rate	7.96%	7.70%
CPI (Consumer Price Inflation)	6.33%	Not available
Normal Salary Increase Rate	7.33%	8.10%
Net Effective Discount Rate	0.59%	-0.37%

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”
*Statement of Financial Position (herein referred to as the “balance sheet”).

Our discount rate was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

20. Provisions (continued)
In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

2. Enviromental Rehabilitation (Landfill Sites)

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 353 000 square metres;
- Average rate per square metre: R31 escalating every year by 10%;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

	2014 R	2013 R

20. Provisions (continued)

Ficksburg	98 000
Senekal	153 000
Marquard	41 000
Clocolan	61 000

Each of the landfil sites have a different lifespan for rehabilitation ranging from 5 years to 10 years and are best estimates provided for by the respective Manager waste management, parks and properties.

Ficksburg	10 Years
Senekal	10 Years
Marquard	1 Years
Clocolan	1 Years

21. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which employees belong consists of the Free State Municipal Pension Fund, Free State Municipal Provident Fund, South African Local Authorities Pension Fund, South African Local Authorities Provident Fund, National Fund for Municipal Workers, Municipal Employees Pension Fund, South African Municipal Workers Union Provident Fund and the Municipal Councillors Pension Fund, governed by the Pension Fund Act of 1956

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

Notes to the Financial Statements

	2014 R	2013 R

21. Employee benefit obligations (continued)

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

	2014	2013
In-service (employee) members	458	483
Continuation members (e.g: Retirees, widows, orphans)	32	35
Total Members	**490**	**518**

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Scheme

The amounts recognised in the statement of financial position are as follows:

Carrying value

	2014	2013
Present value of the defined benefit obligation - wholly unfunded -	(50,573,806)	(39,186,000)
Service Cost	(2,854,000)	(2,028,000)
Interest Cost	(4,841,000)	(3,707,000)
Actuarial Benefits paid	1,039,549	960,000
Actuarial gains/(losses)	(16,044,451)	(6,612,000)
	-----------------	----------------
As at 30 June	(41,184,000)	(50,573,806)

Key assumptions used

Changes in valuation assumptions as at the valuation dates:

Financial Variable	30-06-2014 Valuation	30-06-2013 Valuation	% Change
Discount rate	8.94%	9.15%	-2.3%
Consumer price inflation	7.05%	6.10%	15.6%
Medical aid Inflation	8.05%	8.10%	-0.6%
Net effective discount rate	0.82%	0.97%	-15.1%

Discount Rate

GRAP 25 defines the determination of the Discount Rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

Our discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202).

Notes to the Financial Statements

	2014 R	2013 R

21. Employee benefit obligations (continued)

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Since this is the first time that we have done the valuation we were not able to do an exact breakdown of the actuarial gain shown above. However, the main reasons for the actuarial loss can be attributed to the following factors:

1. Changes in economic variables – Over the past year interest rates, bond yields and inflation figures changed significantly. These changes caused the net effective discount rate to reduce by 15.1% (from 0.97% to 0.82%). This resulted in an overall increase in the liability of around R 2 900 000.

2. Subsidy cap increase rate - Over the past financial year the maximum subsidy cap increased by only 1.7% from R3557 to R3618. This was lower than the assumed salary inflation (which was set equal to medical inflation) in the previous valuation. Over the past 3 years SALGA have consistently kept the increase percentages below CPI and hence we have decided to update our maximum subsidy increase assumption to 50% of CPI. In the preceding valuation an increase rate equal to medical aid inflation (8.05% in 2013). The change in assumption caused the overall liability to reduce by around R13 300 000.

3. Withdrawal assumption - The withdrawal assumption was updated to be less conservative which resulted in the liability to reduce by approximately R720 000.

4. Membership and other smaller assumption changes – Over the past year the number of members reduced by 28 from 518 in 2013 to 490 in 2014. The membership changes as well as smaller assumption changes resulted in the liability to reduce by approximately R4 900 000.

The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and the related actuarial practice guidance note (APN 301) of the Actuarial Society of South Africa and can therefore be used in the compilation of the Annual Financial Statements of the Municipality. The report is avilable for inspection at the Municipality.

Calculation of actuarial gains and losses

	2014 R	2013 R
Actuarial (gains) losses – Plan assets	(16,044,451)	(6,612,000)

22. Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund.

The following are defined benefit plans

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

Notes to the Financial Statements

	2014 R	2013 R

22. Retirement Benefit Information (continued)

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).
The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

23. Service charges

	2014 R	2013 R
Sale of electricity	53,965,354	53,457,490
Sale of water	24,678,522	20,536,078
Sewerage and sanitation charges	14,496,880	12,623,030
Refuse removal	17,050,976	14,921,965
Other service charges	154,102	191,770
	110,345,834	**101,730,333**

24. Rental of facilities and equipment

	2014 R	2013 R
Rental of facilities	701,364	88,315

25. Other income

	2014 R	2013 R
Sundry income	316,039	3,336,736
Skills Development Claims	343,488	699,919
Commission: Eskom	-	267,798
Cemetery Fees	267,655	238,656
Commission	425,267	224,878
Post Retirement Medical Actuarial Gain	16,044,451	-
	17,396,900	**4,767,987**

26. Interest and Dividends received - investment

	2014 R	2013 R
Dividend revenue		
Unlisted financial assets - Local	29,974	28,114
Interest revenue		
Interest earned on cash and bank	2,902,981	2,311,523
Interest charged on trade and other receivables	19,388,904	28,483,501
	22,291,885	**30,795,024**
	22,321,859	**30,823,138**

Notes to the Financial Statements

	2014 R	2013 R

27. Property rates

Rates received

Residential	15,349,754	15,063,709
State	18,156,835	18,189,912
Less: Income forgone	(65,129)	(59,107)
	33,441,460	**33,194,514**

Income forgone consists of the 5% discount allowed if property rates are paid in advance.

Valuations

Residential	1,691,409,551	1,698,984,551
Commercial	311,861,254	309,011,254
State	185,233,500	185,228,500
Municipal	74,050,100	72,100,200
Small holdings and farms	1,102,352,000	1,101,498,000
Churches	35,049,100	33,848,000
	3,399,955,505	**3,400,670,505**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.1 (2013: R0.1) is applied to property valuations to determine assessment rates. Rebates of 93,3% (2013: 93,9%) are granted to residential, commercial and small holdings and farm property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

The new general valuation will be implemented on 1 July 2014.

	2014 R	2013 R

28. Government grants and subsidies

	2014 R	2013 R
Operating grants		
Equitable share	165,019,000	165,468,000
EPWP Grant	1,750,000	1,090,000
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
Financial Management Grant (FMG)	1,550,000	1,500,000
Department of Water Affairs Grant	15,664,605	13,857,635
COGTA Grant	7,474,162	3,441,200
	192,347,767	186,156,835
Capital grants		
MIG Grant	78,600,659	87,216,559
	78,600,659	87,216,559
	270,948,426	**273,373,394**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 248 (2013: R 263), which is funded from the grant.

MIG Grant

	2014 R	2013 R
Balance unspent at beginning of year	6,087,659	16,925,218
Current-year receipts	72,513,000	76,379,000
Conditions met - transferred to revenue	(78,600,659)	(87,216,559)
	-	**6,087,659**

Conditions still to be met - remain liabilities (see note 19).

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

DBSA Grant

This grant was used to compile masterplans for Roads and Stormwater, Electricity Network, Water network and Sewer Network.

EPWP Grant

	2014 R	2013 R
Current-year receipts	1,750,000	1,090,000
Conditions met - transferred to revenue	(1,750,000)	(1,090,000)
	-	-

	2014 R	2013 R

28. Government grants and subsidies (continued)

This grant is used in respect of job creation projects and programmes.

Municipal Systems Improvement Grant (MSIG)

	2014 R	2013 R
Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	-	-

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act.

Financial Management Grant (FMG)

	2014 R	2013 R
Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Department of Water Affairs Grant

	2014 R	2013 R
Current-year receipts	15,664,606	13,857,635
Conditions met - transferred to revenue	(15,664,606)	(13,857,635)
	-	-

This grant was used to adress water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.

COGTA Grant

	2014 R	2013 R
Current-year receipts	10,794,970	3,441,200
Conditions met - transferred to revenue	(6,974,161)	(2,941,200)
Contribution towards Municipal Manager Salary	(500,000)	(500,000)
	3,320,809	-

Conditions still to be met - remain liabilities (see note 19).

Province give a grant to improve infrustructure during the year (PIG).

COGTA also contributes R500 000 per year towards the Municipal Manager's salary.

National Lottery

	2014 R	2013 R
Current-year receipts	1,000,000	-

Conditions still to be met - remain liabilities (see note 19).

National Lottery gave this grant for the upgrading of the Hennie De Wet Stadium.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Financial Statements

29. Revenue

	2014 R	2013 R
Service charges	110,345,834	101,730,333
Rental of facilities and equipment	701,364	88,315
Licences and permits	21,064	7,849
Sale of land	281,573	27,033
Insurance Claims	28,236	-
Other income	17,396,900	4,767,987
Interest received - investment	22,291,885	30,795,024
Dividends received	29,974	28,114
Property rates	33,441,460	33,194,514
Government grants & subsidies	270,948,426	273,373,394
Fines	2,165,550	1,643,313
	457,652,266	**445,655,876**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2014 R	2013 R
Service charges	110,345,834	101,730,333
Rental of facilities and equipment	701,364	88,315
Licences and permits	21,064	7,849
Sale of land	281,573	27,033
Insurance claims	28,236	-
Other income	17,396,900	4,767,987
Interest received - investment	22,291,885	30,795,024
Dividends received	29,974	28,114
	151,096,830	**137,444,655**

The amount included in revenue arising from non-exchange transactions is as follows:

	2014 R	2013 R
Taxation revenue		
Property rates	33,441,460	33,194,514
Transfer revenue		
Government grants & subsidies	270,948,426	273,373,394
Fines	2,165,550	1,643,313
	306,555,436	**308,211,221**

	2014 R	2013 R

30. Employee related costs

Basic	80,736,291	74,520,019
Medical aid - company contributions	14,002,137	18,007,264
UIF	860,117	760,517
SDL	1,060,948	956,583
Leave pay provision charge	203,778	5,324,480
Other short term costs	829,639	531,299
Defined contribution plans	13,694,352	11,484,412
Travel, motor car, accommodation, subsistence and other allowances	7,360,105	6,098,075
Overtime payments	6,138,564	5,039,104
Long-service awards	1,651,874	1,881,999
Acting allowances	629,577	640,812
Housing benefits and allowances	342,641	311,160
Holiday Bonus	5,738,398	4,838,110
Casual wages	-	28,369
Allowance - Telephone	25,200	12,600
Industrial Council Levies	54,535	48,156
Telephone Allowance	286,956	234,300
	133,615,112	**130,717,259**

Remuneration of Municipal Manager - Mr STR Ramakarane

Annual Remuneration	1,281,205	1,193,090
Contributions to UIF, Medical and Pension Funds	15,815	1,713
Travel, motor car, accomodation,subsistance and other allowances	303,810	271,156
Other	106,698	84,665
	1,707,528	**1,550,624**

COGTA finaced an annual amount of R500,000.00 towards the salary of the Municipal Manager. Please refer to note 28

Remuneration of Chief Finance Officer - Mr GT Banda

Annual Remuneration	881,759	483,875
Contributions to UIF, Medical and Pension Funds	10,602	744
Travel, motor car, accomodation,subsistance and other allowances	3,885	2,990
Other	27,492	29,669
	923,738	**517,278**

Mr GT Banda was appointed on 1 December 2012.

Remuneration of Chief Finance Officer (Acting) - Mr N van Tonder

Travel, motor car, accomodation,subsistance and other allowances	39,070	113,568

Mr van Tonder was acting CFO for the months of April And May 2014 while Mr Banda was on sick leave.

Remuneration of Corporate Services Director - Mr T Masejane

Annual Remuneration	761,214	718,350
Contributions to UIF, Medical and Pension Funds	9,089	147,598
Travel, motor car, accomodation,subsistance and other allowances	142,292	112,070
Other	41,880	15,711
	954,475	**993,729**

Notes to the Financial Statements

	2014 R	2013 R

30. Employee related costs (continued)

Remuneration of Community and Economic Services Director - Mr M Nteli

Annual Remuneration	761,214	718,350
Contributions to UIF, Medical and Pension Funds	8,956	138,492
Travel, motor car, accomodation,subsistance and other allowances	130,261	114,785
Other	69,545	57,782
	969,976	**1,029,409**

Remuneration of Technical Services Director (Acting) - Mrs TF Zondi

Travel, motor car, accomodation,subsistance and other allowances	98,308	55,793

Mrs TF Zondi was appointed as acting Director on 1 March 2013. She was permanently appointed to the position from 1 December 2013.

Remuneration of Technical Services Director - Mrs TF Zondi

Annual Remuneration	417,160	-
Contributions to UIF, Medical and Pension Funds	5,794	-
Travel, motor car, accomodation,subsistance and other allowances	135,827	-
Other	12,645	-
	571,426	**-**

Mrs TF Zondi was appointed as acting Director on 1 March 2013. She was permanently appointed to the position from 1 December 2013.

Remuneration of Technical Services Director - Mr LWR Mocheko

Annual Remuneration	-	207,375
Contributions to UIF, Medical and Pension Funds	-	6,917
	-	**214,292**

Mr LWR Mocheko was appointed on 1 December 2012 and resigned on 28 February 2013.

Remuneration for Technical Services Director (Acting) - Mr MA Mokhethoa

Travel, motor car, accomodation,subsistance and other allowances	45,740	-

Mr MA Mokhethoa was appointed as acting Director from April 2014 to June 2014 while Mrs TF Zondi was on maternity leave.

31. Remuneration of councillors

Mayor	720,981	676,901
Speaker	580,798	542,055
Councillors	6,231,606	5,600,341
Executive Committee Members	1,871,637	1,701,116
	9,405,022	**8,520,413**

Notes to the Financial Statements

	2014 R	2013 R

32. Administrative expenditure

The Mayor and Speaker are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

33. Depreciation and amortisation

	2014 R	2013 R
Property, plant and equipment	210,353,396	213,060,623

34. Impairment of assets

	2014 R	2013 R
Impairments		
Impairment Fines Debtors	1,052,928	879,761

During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.

The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.

The change in accounting policy will result in a fair presentation of financial information.

The comparative amounts were restated accordingly.

35. Finance costs

	2014 R	2013 R
Bank	42,611	91,135
Current borrowings	998,443	1,174,237
	1,041,054	**1,265,372**

36. Debt impairment

	2014 R	2013 R
Contributions to debt impairment provision	57,167,595	70,597,892

37. Bulk purchases

	2014 R	2013 R
Electricity	52,561,888	48,436,867

38. Contracted services

	2014 R	2013 R
Specialist Services	7,259,404	5,653,064

39. Grants and subsidies paid

	2014 R	2013 R
Other subsidies		
Distutional help	3,876,829	8,178,319

	2014 R	2013 R

40. Loss on disposal of assets

	2014 R	2013 R
Heading		
Loss on disposal of assets	5,670,141	159,741

During the current year the Municipality disposed of old and redundant asset.

41. General expenses

	2014 R	2013 R
Advertising	1,259,421	1,045,949
Analysis	132,041	147,582
Auditors remuneration	30,878	64,808
Bank charges	310,407	240,555
Billing charges	57,747	64,870
Casualty insurance	830,492	25,525
Chemicals	5,459,004	2,937,842
Cleaning	207,650	203,327
Computer expenses	263,891	281,612
Conferences and delegations	33,100	36,024
Consulting and professional fees	841,611	2,085,805
Consumables	10,458	65,458
Departmental consumption	940,318	263,114
Disaster management	5,871	2,527
Donations	78,181	7,516
Entertainment	385,531	290,842
Pauper funerals	3,800	-
Manuring and weed control	1,067	4,547
Fuel and oil	3,914,451	3,476,328
IDP establisment	1,474,380	139,144
Industrial Council Levies	1,301	-
Insurance	11,465,027	8,777,456
Lease rentals on operating lease	8,512,523	6,663,711
Levies paid	21,929	86
License Fees	1,665,057	1,472,414
Other expenses	3,801,329	708,027
Postage and courier	1,082,743	1,109,879
Printing and stationery	2,183,662	1,728,900
Protective clothing	964,232	423,160
Publicity	567,948	316,618
Security (Guarding of municipal property)	1,113,286	497,640
Skills development levy	1,007,564	674,421
Streetlight electricity consumption	1,451,712	975,524
Subscriptions and membership fees	17,156	-
Telephone and fax	1,542,616	836,386
Tourism development	-	10,360
Town planning	231,615	-
Training	2,691,403	1,056,776
Travel and subsistance	2,619,366	2,059,136
Valuation costs	1,228,070	175,439
Ward committee expenses	1,025,386	997,997
Youth expenditure	432,727	514,333
	59,866,951	**40,381,638**

Notes to the Financial Statements

	2014 R	2013 R

42. Cash generated from operations

Deficit	(104,977,248)	(114,290,080)
Adjustments for:		
Depreciation and amortisation	210,353,396	213,060,623
Gain on sale of assets and liabilities	5,670,141	159,741
Impairment deficit	1,052,928	879,761
Debt impairment	57,167,595	70,597,892
Movements in retirement benefit assets and liabilities	(9,389,001)	11,387,806
Movements in provisions	7,307,734	923,706
Inventories	-	24,837
Corrections effecting previous years	5,412,905	1,483,885
Changes in working capital:		
Inventories	(24,485)	(40,651)
Consumer debtors	(64,872,374)	(53,518,617)
Other receivables from non-exchange transactions	(8,487,879)	(9,051,836)
Trade Payables and other payables from exchange transactions	(10,310,408)	(1,805,706)
VAT	(15,217,997)	1,009,737
Taxes and transfers payable (non exchange)	20,368,492	(5,190,923)
Unspent conditional grants and receipts	(1,766,850)	(10,837,559)
Consumer deposits	40,970	73,256
	92,327,919	**104,865,872**

43. Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for		
• Infrastructure	5,893,562	89,442,898
• Community	19,395,674	36,169,859
• Other financial assets	5,354,150	736,706
	30,643,386	**126,349,463**
Not yet contracted for and authorised by accounting officer		
• Infrastructure	45,093,220	13,561,372
• Community	1,865,631	16,786,966
	46,958,851	**30,348,338**
This expenditure will be financed from:		
Government grants	77,602,237	156,697,801

	2014 R	2013 R

44. Related parties

Related party transactions

Purchases from (sales to) related parties		
E R B Marketing (Website design and maintenance)	180,000	180,000
Cemomo Trading (Transportation of water)	144,281	879,541

The IT Specialist have close family relations with the management of ERB Marketing that maintains the web site of council.

The secretary of the Technical Director has close familiy relations with the director of Cemomo General Trading wich was appointed to transport water for the Municipality.

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 30 for key management and note 31 for Councillors.

45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position		
Receivables from non-exchange transactions	-	293,254
Heritage assets	-	2,484,154
Accumulated surplus	-	(2,777,408)

Statement of Financial Performance		
Fines	-	(1,173,015)
Employee related costs	-	2,569,004
Remuneration of councillors	-	(2,561,304)
Depreciation and amortisation	-	(414,026)
Impairment loss/ Reversal of impairments	-	(879,761)
Collection costs	-	2,115,546
Repairs and maintenance	-	(1,628,975)
Contracted services	-	5,653,064
Grants and subsidies paid	-	45,713
Loss on disposal of assets	-	159,741
General Expenses	-	(6,352,789)

This reclassification was done as a result of remapping of certian amounts in terms of the previous years audit.

46. Unauthorised expenditure

Opening balance	154,181,493	172,646,810
Unauthorised expenditure - current year	111,349	154,181,494
Irrecoverable and written off by the council	(154,181,493)	(172,646,811)
	111,349	**154,181,493**

Notes to the Financial Statements

	2014 R	2013 R

47. Fruitless and wasteful expenditure

Opening balance	-	15,619,006
Fruitless and wasteful expenditure - current year	32,357	-
Irrecoverable and written off by the council	(22,737)	(15,619,006)
	9,620	**-**

48. Irregular expenditure

Opening balance	7,089,873	72,203,169
Add: Irregular Expenditure - current year	11,931,459	23,508,699
Add: Irregular Expenditure - previous year's audit report	108,464,643	-
Irrecoverable and written off by the council (Condoned)	(126,871,640)	(88,432,807)
Amounts recouped from councillors	(116,066)	(189,188)
	498,269	**7,089,873**

49. Auditors' remuneration

Audit and Performance Audit Committee	270,308	64,808

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(822,352)	-
Current year subscription / fee	1,108,530	756,116
Amount paid - current year	(1,242,468)	(1,578,468)
	(956,290)	**(822,352)**

The amount of R956,290 is in respect of the 2014/2015 subscription and was paid in April 2014. Refer to note 6.

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses included distribution to townships with unmetered electricity.

Estimated losses	21,690,046	16,856,545

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses included distribution to townships with unmetered water.

Water		
Estimated reticulation water losses	8,679,798	10,753,491
To townships not metered	4,272,661	5,498,262
	12,952,459	**16,251,753**

Audit fees

Current year subscription / fee	4,974,717	4,194,519
Amount paid - current year	(4,822,833)	(4,194,519)
Amount paid - previous years	(151,884)	-
	-	**-**

Notes to the Financial Statements

	2014 R	2013 R

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

	2014 R	2013 R
Current year subscription / fee	12,640,930	11,306,871
Amount paid - current year	(12,640,930)	(11,306,871)
	-	-

Pension and Medical Aid Deductions

	2014 R	2013 R
Current year subscription / fee	31,947,934	26,183,209
Amount paid - current year	(31,947,934)	(26,183,209)
	-	-

VAT

	2014 R	2013 R
VAT receivable	55,371,821	40,153,824

VAT output payables and VAT input receivables are shown in note 7 and 17.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Financial Statements

	2014 R	2013 R

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MWT Mabeleng	819	816	1,635
Councillor RV Mohala	651	6,850	7,501
Councillor MP Thamae	646	4,519	5,165
Councillor TJ Tsolo	967	2,080	3,047
Councillor PI Mavaleliso	665	3,410	4,075
Councillor MJ Raboroko	631	7,815	8,446
Councillor KE Koalane	741	6,822	7,563
Councillor MM Rasunyane	497	2,090	2,587
Councillor TM Muso	640	150	790
Councillor MP Mohlomi	1,993	1,906	3,899
Councillor KS Mokhuoane	1,427	9,366	10,793
Councillor TB Jakobo	7,494	5,168	12,662
	17,171	**50,992**	**68,163**

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Mahlangu	434	811	1,245
Councillor PI Mavaleliso	642	4,399	5,041
Councillor MP Thamae	1,059	7,364	8,423
Councillor ML Mthimkulu	365	2,004	2,369
Councillor MD Malebo	471	4,280	4,751
Councillor KS Mokhuoane	331	406	737
Councillor TJ Tsolo	495	847	1,342
Councillor TM Muso	541	1,258	1,799
Councillor MC Nakasi	294	303	597
	4,632	**21,672**	**26,304**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor MWT Mabeleng	3,542	383
Councillor RV Mohala	7,502	949
Councillor MP Thamae	7,641	886
Councillor TJ Tsolo	3,047	288
Councillor PI Mavaleliso	5,376	604
Councillor MJ Raboroko	8,446	1,098
Councillor KE Koalane	7,563	951
Councillor MM Rasunyane	3,707	672
Councillor TM Muso	2,079	289
Councillor MP Mohlomi	3,899	582
Councillor KS Mokhuoane	10,793	699
Councillor TB Jakobo	14,102	169
	77,697	**7,570**

Notes to the Financial Statements

	2014 R	2013 R

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2013	Highest outstanding amount	Aging (in days)
Councillor MA Mahlangu	1,245	206
Councillor PI Mavaleliso	5,041	605
Councillor MP Thamae	8,422	1,513
Councillor ML Mthimkulu	2,369	2,531
Councillor MD Malebo	4,751	549
Councillor KS Mokhuoane	737	123
Councillor TJ Tsolo	1,342	148
Councillor TM Muso	1,799	284
Councillor MC Nakasi	597	106
	26,303	**6,065**

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of Council.

52. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year.

53. Events after the reporting date

There are no significant matters to report after reporting date.

54. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a risk management unit under Municipal Manager Department and policies are approve by Council. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

54. Risk management (continued)

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

With the exception of trade receivables, the economic entityonly transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The economic entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the economic entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2014 and 2013, the municipality’s borrowings at variable rate were denominated in the Rand.

	2014 R	2013 R

55. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant decrease in accounts payable of R 10,310,408 (2013: R 1,805,706;
- The municipality incurred a deficit of R 104,977,248 during the year (2013: deficit R 114,290,080);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 211,711,170 in 2013 to R 260,092,967 as at 30 June 2014;
- The provision for doubtful debts have been estimated at R (192,724,645) (2013: R (152,047,627)). This equates to approximately 74% of gross outstanding debtors (2013: 72%).
- At 30 June 2014 the municipality's current liabilities amounted to R 76,539,642 (2013: R 69,825,223), whilst the current assets amounted to R 152,376,259 (2013: R 126,654,529)..

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 3,558,337,357 and that the municipality's total assets exceed its liabilities by R 3,558,337,357.

Previously disadvantaged areas are charged a basic tariff on water as opposed to the consumption tariff, thus resulting in a possible loss of income for the municipality. The above challenges did not impair the municipality to deliver services to the community as mandated by the Constitution of the Republic of South Africa.

The municipality shall therefore continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseable future, as a going concern.

The municipality is also exploring alternative options to improve it's financial position.

56. Prior period errors

Fines

During the period ending 30 June2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis
.
The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.

The change in accounting policy will result in a fair presentation of financial information.
The comparative amounts were restated accordingly.

The correction of the error(s) results in adjustments as follows:

	2014	2013
Statement of financial position		
Receivables from non-exchange transactions	-	293,254
Statement of Financial Performance		
Fines (income)	-	(1,173,015)
Impairment fines (Expense)	-	879,761

Notes to the Financial Statements

	2014 R	2013 R

56. Prior period errors (continued)

Depreciation on Heritage Assets

Contrary to paragraph .49 of GRAP the heritage asset were depreciated during the previous year. These were corrected during the current year.

The correction of the error(s) results in adjustments as follows:

	2014 R	2013 R
Statement of financial position		
Accumulated Depreciation Heritage Assets	-	3,832,293
Accumulated Surplus	-	3,418,267
Statement of Financial Performance		
Depreciation expense	-	(414,026)

Various corrections

During the year various corrections were done against the Accumulated Surplus account and various other accounts. Details is available from the Municipality.

The correction of the error(s) results in adjustments as follows:

	2014 R	2013 R
Statement of financial position		
Various other accounts	5,412,905	-
Accumulated Surplus	(5,412,905)	-

Heritage Assets

During the current year it was discovered that the asset register for Heritage Assets does not agree to the general ledger.

The correction of the error(s) results in adjustments as follows:

	2014 R	2013 R
Statement of financial position		
Accumulated Surplus	-	1,348,139
Heritage Assets	-	(1,348,139)
	-	**-**

57. Contingencies

From information received from the municipality's attorneys they indicate that the municipality has outstanding claims that could result in a possible contingent liability of R982 611. Legal costs to defend these court cases may be in the region of R 574,668. A register is available at the municipality.

Employees' job evaluations were not completed and they were not paid according to the wage scales and rates in the wage curve agreement [and/or] did not receive the nine months retrospective increase. The amount of this process is yet unknown, but it may result in a liability for the municipality.

Notes to the Financial Statements

	2014 R	2013 R

58. Operating lease

The municipality have the following significant leasing arrangements:

- ERB Marketing
- MWEB Internet and usage
- Windeed deeds office searche
- Nashua
  Multi Choiche
- Equipment rentals - ad hoc basis

- the basis on which contingent rent payable is determined is as follow
  -
  - ERB Marketing - contract
  - MWEB - contract and monthly usage
  - Windeed - monthly usage
  - Nashua - contract
  - Equipment rentals - ad hoc basis .

- there are no existing terms of renewal or purchases options and/or any escalation clauses on these contracts;
- there are no restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.

Operating leases are on photo copying machines, IT services relating to internet usage and ad hoc equipment rentals.

The average lease term is 1 year.

Operating leases will be updated at year end.

	2014 R	2013 R
Minimum lease payments due		
- Within one year	1,218,557	510,986
Present value of minimum lease payments due		
- Within one year	1,218,557	510,986

59. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.:

- • GRAP 25 Employee Benefits.
  • Fines

Employee Benefits (GRAP 25)

During the year, the municipality changed its accounting policy with respect to the treatment of Employee Benefits. In order to conform with the benchmark treatment in of GRAP25. The change in accounting policy had no material impact on the municipality's annual financial statements.

59. Changes in accounting policy (continued)

Fines

During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.

The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year. The change in accounting policy will result in a fair presentation of financial information.

The comparative amounts were restated accordingly.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Appendix A
June 2014

Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA Loan @ 17%	13457	30/06/2020	1,763,912	-	147,880	1,616,032	-	289,760
DBSA Loan @ 11 %	101389	31/12/2024	5,959,039	-	271,920	5,687,119	-	669,801
			7,722,951	**-**	**419,800**	**7,303,151**	**-**	**959,561**
Lease liability								
Bankfin @12.44%	78404049	30/04/2014	703,212	-	703,212	-	-	37,689
			703,212	**-**	**703,212**	**-**	**-**	**37,689**
Total external loans								
Development Bank of South Africa			7,722,951	-	419,800	7,303,151	-	959,561
Lease liability			703,212	-	703,212	-	-	37,689
			8,426,163	**-**	**1,123,012**	**7,303,151**	**-**	**997,250**

Setsoto Local Municipality
Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	48,107,989	-	-	-	-	-	**48,107,989**	-	-	-	-	-	-	48,107,989
Landfill Sites (Separate for AFS pursoses)	3,076,745	20,806,166	-	-	-	-	**23,882,911**	(172,009)	-	-	(129,950)	-	**(301,959)**	23,752,961
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	51,184,734	**20,806,166**	**-**	**-**	**-**	**-**	**71,990,900**	**(172,009)**	**-**	**-**	**(129,950)**	**-**	**(301,959)**	**71,860,950**
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	3,203,389,228	378,807	-	-	-	**58,820,681**	**3,262,588,716**	(1,098,418,522)	-	-	(183,330,052)	-	**(1,281,748,574)**	3,079,258,664
	3,203,389,228	**378,807**	**-**	**-**	**-**	**58,820,681**	**3,262,588,716**	**(1,098,418,522)**	**-**	**-**	**(183,330,052)**	**-**	**(1,281,748,574)**	**3,079,258,664**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	299,092,716	2,397,644	-	-	-	-	**301,490,360**	(66,331,034)	-	-	(11,074,144)	-	**(77,405,178)**	290,416,216
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	299,092,716	**2,397,644**	**-**	**-**	**-**	**-**	**301,490,360**	**(66,331,034)**	**-**	**-**	**(11,074,144)**	**-**	**(77,405,178)**	**290,416,216**

Setsoto Local Municipality
Setsoto Local Municipality
Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other property, plant and equipment														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General	16,790,748	5,666,530	(6,379,055)	-	-	-	**16,078,223**	(22,926,905)	-	-	(6,025,436)	-	**(28,952,341)**	10,052,787
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	16,790,748	**5,666,530**	**(6,379,055)**	**-**	**-**	**-**	**16,078,223**	**(22,926,905)**	**-**	**-**	**(6,025,436)**	**-**	**(28,952,341)**	**10,052,787**

Setsoto Local Municipality
Setsoto Local Municipality
Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	51,184,734	20,806,166	-	-	-	-	71,990,900	(172,009)	-	-	(129,950)	-	(301,959)	71,860,950
Infrastructure	3,203,389,228	378,807	-	-	-	58,820,681	3,262,588,716	(1,098,418,522)	-	-	(183,330,052)	-	(1,281,748,574)	3,079,258,664
Community Assets	299,092,716	2,397,644	-	-	-	-	301,490,360	(66,331,034)	-	-	(11,074,144)	-	(77,405,178)	290,416,216
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	16,790,748	5,666,530	(6,379,055)	-	-	-	16,078,223	(22,926,905)	-	-	(6,025,436)	-	(28,952,341)	10,052,787
	3,570,457,426	29,249,147	(6,379,055)	-	-	58,820,681	3,652,148,199	(1,187,848,470)	-	-	(200,559,582)	-	(1,388,408,052)	3,451,588,617
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	80,476,976	4,644,711	-	-	-	-	85,121,687	(14,710,569)	-	-	-	(1,840,748)	(16,551,317)	83,280,939
	80,476,976	4,644,711	-	-	-	-	85,121,687	(14,710,569)	-	-	-	(1,840,748)	(16,551,317)	83,280,939
Total														
Land and buildings	51,184,734	20,806,166	-	-	-	-	71,990,900	(172,009)	-	-	(129,950)	-	(301,959)	71,860,950
Infrastructure	3,203,389,228	378,807	-	-	-	58,820,681	3,262,588,716	(1,098,418,522)	-	-	(183,330,052)	-	(1,281,748,574)	3,079,258,664
Community Assets	299,092,716	2,397,644	-	-	-	-	301,490,360	(66,331,034)	-	-	(11,074,144)	-	(77,405,178)	290,416,216
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	16,790,748	5,666,530	(6,379,055)	-	-	-	16,078,223	(22,926,905)	-	-	(6,025,436)	-	(28,952,341)	10,052,787
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	80,476,976	4,644,711	-	-	-	-	85,121,687	(14,710,569)	-	-	-	(1,840,748)	(16,551,317)	83,280,939
	3,650,934,402	33,893,858	(6,379,055)	-	-	58,820,681	3,737,269,886	(1,202,559,039)	-	-	(200,559,582)	(1,840,748)	(1,404,959,369)	3,534,869,556

Setsoto Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Setsoto Local Municipality
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Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Setsoto Local Municipality
Appendix C
June 2014

Segmental analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	87	-	-	-	-	**87**	-	-	-	-	-	-	87
Finance & Admin/Finance	-	2,327	-	-	-	-	**2,327**	-	-	-	-	-	-	2,327
Comm. & Social/Libraries and archives	-	7	-	-	-	-	**7**	-	-	-	-	-	-	7
Housing	-	231	-	-	-	-	**231**	-	-	-	-	-	-	231
Public Safety/Police	-	9	-	-	-	-	**9**	-	-	-	-	-	-	9
Sport and Recreation	-	177	-	-	-	-	**177**	-	-	-	-	-	-	177
Waste Water Management/Sewerage	-	5,160	-	-	-	-	**5,160**	-	-	-	-	-	-	5,160
Road Transport/Roads	-	949	-	-	-	-	**949**	-	-	-	-	-	-	949
Water/Water Distribution	-	470	-	-	-	-	**470**	-	-	-	-	-	-	470
Electricity /Electricity Distribution	-	312	-	-	-	-	**312**	-	-	-	-	-	-	312
Other/Air Transport	4,925,410	-	-	-	-	-	**4,925,410**	(1,405,240)	-	-	-	-	**(1,405,240)**	3,520,170
	4,925,410	**9,729**	**-**	**-**	**-**	**-**	**4,935,139**	**(1,405,240)**	**-**	**-**	**-**	**-**	**(1,405,240)**	**3,529,899**
Municipal Owned Entities														
Total														
Municipality	4,925,410	9,729	-	-	-	-	**4,935,139**	(1,405,240)	-	-	-	-	**(1,405,240)**	3,529,899
	4,925,410	**9,729**	**-**	**-**	**-**	**-**	**4,935,139**	**(1,405,240)**	**-**	**-**	**-**	**-**	**(1,405,240)**	**3,529,899**

Setsoto Local Municipality
Appendix D
June 2014

Segmental Statement of Financial Performance for the year ended 30 June 2014

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
58,955,488	57,831,645	1,123,843	Executive & Council/Mayor and Council	73,727,183	56,147,756	17,579,427
67,599,518	49,233,599	18,365,919	Finance & Admin/Finance	53,244,067	67,251,483	(14,007,416)
300,000	821,170	(521,170)	Planning and Development/Economic Development/Plan	-	1,746,569	(1,746,569)
7,083	5,928	1,155	Health/Clinics	375	7,803	(7,428)
303,620	8,705,004	(8,401,384)	Comm. & Social/Libraries and archives	187,664	8,591,128	(8,403,464)
177,746	6,132,335	(5,954,589)	Housing	5,917,395	6,912,430	(995,035)
1,639,733	9,035,470	(7,395,737)	Public Safety/Police	2,195,899	12,044,693	(9,848,794)
41,207	21,294,740	(21,253,533)	Sport and Recreation	31,679	19,226,408	(19,194,729)
53,560,459	78,467,993	(24,907,534)	Waste Water Management/Sewerage	60,255,831	75,874,997	(15,619,166)
25,914,594	18,960,687	6,953,907	Road Transport/Roads	25,754,400	20,456,059	5,298,341
138,670,636	247,621,383	(108,950,747)	Water/Water Distribution	133,329,424	221,902,344	(88,572,920)
98,326,051	61,676,264	36,649,787	Electricity /Electricity Distribution	97,338,205	66,797,705	30,540,500
445,496,135	**559,786,218**	**(114,290,083)**		**451,982,122**	**556,959,375**	**(104,977,253)**
			Municipal Owned Entities			
			Other charges			
445,496,135	559,786,218	(114,290,083)	Municipality	451,982,122	556,959,375	(104,977,253)
445,496,135	**559,786,218**	**(114,290,083)**	**Total**	**451,982,122**	**556,959,375**	**(104,977,253)**

Setsoto Local Municipality
Appendix E(1)
June 2014

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2013 Act. Bal. Rand	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	110,345,833	119,195,585	(8,849,752)	(7.4)	
Rental of facilities and equipment	701,365	812,685	(111,320)	(13.7)	
Licences and permits	21,064	21,000	64	0.3	
Other income 1	281,573	468,198	(186,625)	(39.9)	
Other income 2	28,236	-	28,236	-	
Other income - (rollup)	17,396,898	2,432,594	14,964,304	615.2	
Interest received - investment	22,291,885	19,906,606	2,385,279	12.0	Increase in debtors
Dividends received	29,974	29,974	-	-	
	151,096,828	142,866,642	8,230,186	5.8	
Expenses					
Personnel	(133,615,119)	(140,284,817)	6,669,698	(4.8)	Correction between Personnel and Councillors
Remuneration of councillors	(9,405,021)	(9,482,651)	77,630	(0.8)	Correction between Personnel and Councillors
Administration	-	(1,580,256)	1,580,256	(100.0)	Cost saving drive
Depreciation	(210,353,396)	(49,650,301)	(160,703,095)	323.7	
Impairments	(1,052,928)	-	(1,052,928)	-	
Finance costs	(1,041,053)	(991,092)	(49,961)	5.0	
Debt impairment	(57,167,595)	(78,257,775)	21,090,180	(26.9)	Increased payment ratio and previous year result in over budget
Collection costs	(763,607)	(1,466,363)	702,756	(47.9)	Termination of debt collection contracter
Repairs and maintenance - General	(19,995,587)	(13,461,804)	(6,533,783)	48.5	Due to unforseen expenditure
Bulk purchases	(52,561,888)	(53,486,975)	925,087	(1.7)	
Contracted Services	(7,259,404)	(7,838,567)	579,163	(7.4)	
Grants and subsidies paid	(3,876,829)	(15,385,860)	11,509,031	(74.8)	Non registration of indingents
General Expenses	(59,866,950)	(52,683,710)	(7,183,240)	13.6	
	(556,959,377)	(424,570,171)	(132,389,206)	31.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(5,670,141)	-	(5,670,141)	-	
	(5,670,141)	-	(5,670,141)	-	
Net surplus/ (deficit) for the year	(411,532,690)	(281,703,529)	(129,829,161)	46.1	

Setsoto Local Municipality
Appendix E(2)
June 2014

Budget Analysis of Capital Expenditure as at 30 June 2014

	Yearly				Yearly
	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	87	3	(84)	**(2,800)**	
Finance & Admin/Finance	2,327	2,770	443	**16**	
Comm. & Social/Libraries and archives	7	-	(7)	**-**	
Housing	231	330	99	**30**	
Public Safety/Police	9	150	141	**94**	
Sport and Recreation	177	400	223	**56**	
Waste Water Management/Sewerage	5,160	7,114	1,954	**27**	
Road Transport/Roads	949	6,000	5,051	**84**	
Water/Water Distribution	470	70,413	69,943	**99**	
Electricity /Electricity Distribution	312	150	(162)	**(108)**	
	9,729	**87,330**	**77,601**	**89**	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	9,729	**87,330**	**77,601**	**89**	
Other charges					

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					
		Jun	Sep	Dec	Mar	Jun	Jun
MIG	NATIONAL TREASURY	26,323,000	42,208,658	-	10,069,000	-	-
FMG	NATIONAL TREASURY	1,550,000	-	-	-	-	272,535
MSIG	NATIONAL TREASURY	890,000	-	-	-	-	-
EPWP	FREE STATE PROVINCIAL DEPARTMENT OF PUBLIC WORKS	700,000	525,000	525,000	-	-	580,184
DWA	DEPARTMENT OF WATER AFFAIRS	2,141,381	4,469,857	4,185,206	3,456,283	1,411,379	2,141,381
COGTA	DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS	3,357,410	500,000	-	1,937,560	5,000,000	3,357,410
NATIONAL LOTTERY	NATINAL LOTTERY	-	-	-	-	1,000,000	-
		-	-	-	-	-	-
		34,961,791	47,703,515	4,710,206	15,462,843	7,411,379	6,351,510

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Setsoto Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013												2013/2012		
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue - Standard															
Governance and administration	**134,293,661**	**119,648,531**	**253,942,192**	**-**		**253,942,192**	**132,641,391**		**(121,300,801)**	**52 %**	**99 %**				**126,714,746**
Executive and council	58,676,650	58,801,519	117,478,169	-		117,478,169	73,727,183		(43,750,986)	63 %	126 %				58,955,488
Budget and treasury office	67,137,177	60,051,384	127,188,561	-		127,188,561	58,514,506		(68,674,055)	46 %	87 %				67,922,101
Corporate services	8,479,834	795,628	9,275,462	-		9,275,462	399,702		(8,875,760)	4 %	5 %				(162,843)
Community and public safety	**1,213,500**	**5,376,639**	**6,590,139**	**-**		**6,590,139**	**8,333,012**		**1,742,873**	**126 %**	**687 %**				**2,169,389**
Community and social services	404,500	384,379	788,879	-		788,879	187,664		(601,215)	24 %	46 %				303,620
Sport and recreation	33,000	**23,649**	56,649	-		56,649	31,679		(24,970)	56 %	96 %				41,207
Public safety	270,000	4,434,776	4,704,776	-		4,704,776	2,195,899		(2,508,877)	47 %	813 %				1,639,733
Housing	506,000	533,835	1,039,835	-		1,039,835	5,917,395		4,877,560	569 %	1,169 %				177,746
Health	-	-	-	-		-	375		375	DIV/0 %	DIV/0 %				7,083
Economic and environmental services	**27,604,350**	**27,602,850**	**55,207,200**	**-**		**55,207,200**	**25,754,400**		**(29,452,800)**	**47 %**	**93 %**				**26,214,594**
Road transport	27,604,350	27,602,850	55,207,200	-		55,207,200	25,754,400		(29,452,800)	47 %	93 %				25,914,594
Trading services	**173,808,764**	**183,791,532**	**357,600,296**	**-**		**357,600,296**	**193,585,255**		**(164,015,041)**	**54 %**	**111 %**				**192,231,095**
Water	113,000,423	118,392,359	231,392,782	-		231,392,782	133,329,424		(98,063,358)	58 %	118 %				138,670,636
Waste water management	26,169,515	30,774,611	56,944,126	-		56,944,126	26,533,927		(30,410,199)	47 %	101 %				26,575,981
Waste management	34,638,826	34,624,562	69,263,388	-		69,263,388	33,721,904		(35,541,484)	49 %	97 %				26,984,478
Total Revenue - Standard	**336,920,275**	**336,419,552**	**673,339,827**	**-**		**673,339,827**	**360,314,058**		**(313,025,769)**	**54 %**	**107 %**				**347,329,824**

Setsoto Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**145,010,848**	**129,679,920**	**274,690,768**	**-**	**-**	**274,690,768**	**117,729,098**	**-**	**(156,961,670)**	**43 %**	**81 %**	**-**	**-**	**-**	**106,905,503**
Executive and council	59,328,856	59,411,677	118,740,533	-	-	118,740,533	56,147,756	-	(62,592,777)	47 %	95 %	-	-	-	57,831,645
Budget and treasury office	37,894,016	46,081,498	83,975,514	-	-	83,975,514	33,865,787	-	(50,109,727)	40 %	89 %	-	-	-	20,152,559
Corporate services	47,787,976	24,186,745	71,974,721	-	-	71,974,721	27,715,555	-	(44,259,166)	39 %	58 %	-	-	-	28,921,299
Community and public safety	**36,732,138**	**34,637,927**	**71,370,065**	**-**	**-**	**71,370,065**	**46,782,462**	**-**	**(24,587,603)**	**66 %**	**127 %**	**-**	**-**	**-**	**45,173,477**
Community and social services	11,211,380	9,774,377	20,985,757	-	-	20,985,757	8,591,128	-	(12,394,629)	41 %	77 %	-	-	-	8,705,004
Sport and recreation	12,205,107	10,532,848	22,737,955	-	-	22,737,955	19,226,408	-	(3,511,547)	85 %	158 %	-	-	-	21,294,740
Public safety	7,074,540	9,708,522	16,783,062	-	-	16,783,062	12,044,693	-	(4,738,369)	72 %	170 %	-	-	-	9,035,470
Housing	6,241,111	4,622,180	10,863,291	-	-	10,863,291	6,912,430	-	(3,950,861)	64 %	111 %	-	-	-	6,132,335
Health	-	-	-	-	-	-	7,803	-	7,803	DIV/0 %	DIV/0 %	-	-	-	5,928
Economic and environmental services	**46,182,508**	**21,248,041**	**67,430,549**	**-**	**-**	**67,430,549**	**22,202,628**	**-**	**(45,227,921)**	**33 %**	**48 %**	**-**	**-**	**-**	**19,781,857**
Planning and development	1,858,732	2,111,964	3,970,696	-	-	3,970,696	1,746,569	-	(2,224,127)	44 %	94 %	-	-	-	821,170
Road transport	44,323,776	19,136,077	63,459,853	-	-	63,459,853	20,456,059	-	(43,003,794)	32 %	46 %	-	-	-	18,960,687
Trading services	**181,255,573**	**167,369,448**	**348,625,021**	**-**	**-**	**348,625,021**	**297,777,341**	**-**	**(50,847,680)**	**85 %**	**164 %**	**-**	**-**	**-**	**326,089,376**
Water	59,201,699	92,002,043	151,203,742	-	-	151,203,742	221,902,344	-	70,698,602	147 %	375 %	-	-	-	247,621,383
Waste water management	74,850,242	37,721,035	112,571,277	-	-	112,571,277	36,614,164	-	(75,957,113)	33 %	49 %	-	-	-	37,737,802
Waste management	47,203,632	37,646,370	84,850,002	-	-	84,850,002	39,260,833	-	(45,589,169)	46 %	83 %	-	-	-	40,730,191
Total Expenditure - Standard	**409,181,067**	**352,935,336**	**762,116,403**	**-**	**-**	**762,116,403**	**484,491,529**	**-**	**(277,624,874)**	**64 %**	**118 %**	**-**	**-**	**-**	**497,950,213**
Surplus/(Deficit) for the year	**(72,260,792)**	**(16,515,784)**	**(88,776,576)**	**-**		**(88,776,576)**	**(124,177,471)**		**(35,400,895)**	**140 %**	**172 %**				**(150,620,389)**

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue by Vote															
COUNCIL GENERAL	(56,036,650)	(124,869)	(56,161,519)	-		(56,161,519)	(67,370,609)		(11,209,090)	120 %	120 %				-
OFFICE OF THE MUNICIPAL MANAGER	(2,640,000)	-	(2,640,000)	-		(2,640,000)	(2,335,510)		304,490	88 %	88 %				-
FINANCE	(67,137,176)	9,441,793	(57,695,383)	-		(57,695,383)	(58,551,717)		(856,334)	101 %	87 %				-
CORPORATE SUPPORT SERVICES	(8,329,134)	7,679,569	(649,565)	-		(649,565)	659,162		1,308,727	(101)%	(8)%				-
COMMUNITY SERVICES	(36,030,226)	(3,487,057)	(39,517,283)	-		(39,517,283)	(37,024,716)		2,492,567	94 %	103 %				-
TECHNICAL SERVICES	(270,650,136)	(9,178,796)	(279,828,932)	-		(279,828,932)	(293,028,876)		(13,199,944)	105 %	108 %				-
Total Revenue by Vote	**(440,823,322)**	**4,330,640**	**(436,492,682)**	**-**		**(436,492,682)**	**(457,652,266)**		**(21,159,584)**	**105 %**	**104 %**				**-**
Expenditure by Vote to be appropriated															
COUNCIL GENERAL	41,695,585	666,441	42,362,026	-	-	42,362,026	43,546,644	-	1,184,618	103 %	104 %	-	-	-	-
OFFICE OF THE MUNICIPAL MANAGER	16,133,271	(1,843,562)	14,289,709	-	-	14,289,709	7,525,923	-	(6,763,786)	53 %	47 %	-	-	-	-
FINANCE	49,354,969	414,209	49,769,178	-	-	49,769,178	49,874,356	-	105,178	100 %	101 %	-	-	-	-
CORPORATE SUPPORT SERVICES	52,599,288	(26,483,334)	26,115,954	-	-	26,115,954	70,756,982	-	44,641,028	271 %	135 %	-	-	-	-
COMMUNITY SERVICES	81,059,291	5,868,931	86,928,222	-	-	86,928,222	65,508,267	-	(21,419,955)	75 %	81 %	-	-	-	-
TECHNICAL SERVICES	269,727,640	107,875,031	377,602,671	-	-	377,602,671	317,753,441	-	(59,849,230)	84 %	118 %	-	-	-	-
Total Expenditure by Vote	**510,570,044**	**86,497,716**	**597,067,760**	**-**	**-**	**597,067,760**	**554,965,613**	**-**	**(42,102,147)**	**93 %**	**109 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**(951,393,366)**	**(82,167,076)**	**(1,033,560,442)**	**-**		**(1,033,560,442)**	**(1,012,617,879)**		**20,942,563**	**98 %**	**106 %**				**-**

Setsoto Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	26,809,043	36,867,102	63,676,145	-		63,676,145	33,441,460		(30,234,685)	53 %	125 %				33,194,514
Service charges - electricity revenue	60,323,000	58,403,627	118,726,627	-		118,726,627	53,965,353		(64,761,274)	45 %	89 %				53,457,491
Service charges - water revenue	42,674,000	42,674,000	85,348,000	-		85,348,000	39,175,401		(46,172,599)	46 %	92 %				33,159,107
Service charges - refuse revenue	17,955,000	17,955,000	35,910,000	-		35,910,000	17,050,976		(18,859,024)	47 %	95 %				14,921,965
Service charges - other	224,112	162,958	387,070	-		387,070	154,102		(232,968)	40 %	69 %				191,769
Rental of facilities and equipment	734,200	812,685	1,546,885	-		1,546,885	701,365		(845,520)	45 %	96 %				88,316
Interest earned - external investments	30,600,000	19,906,606	50,506,606	-		50,506,606	2,902,981		(47,603,625)	6 %	9 %				2,311,523
Interest earned - outstanding debtors	-	-	-	-		-	19,388,904		19,388,904	DIV/0 %	DIV/0 %				28,483,501
Dividends received	-	29,974	29,974	-		29,974	29,974		-	100 %	DIV/0 %				28,114
Fines	270,000	4,450,275	4,720,275	-		4,720,275	2,165,550		(2,554,725)	46 %	802 %				1,643,313
Licences and permits	12,000	21,000	33,000	-		33,000	21,064		(11,936)	64 %	176 %				7,849
Transfers recognised - operational	241,722,000	253,672,066	495,394,066	-		495,394,066	270,948,426		(224,445,640)	55 %	112 %				273,373,394
Other revenue	19,499,968	2,900,792	22,400,760	-		22,400,760	17,706,707		(4,694,053)	79 %	91 %				4,795,019
Gains on disposal of PPE	-	-	-	-		-	(5,670,141)		(5,670,141)	DIV/0 %	DIV/0 %				(159,741)
Total Revenue (excluding capital transfers and contributions)	**440,823,323**	**437,856,085**	**878,679,408**	**-**		**878,679,408**	**451,982,122**		**(426,697,286)**	**51 %**	**103 %**				**445,496,134**

Setsoto Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	123,034,776	140,284,817	263,319,593	-	-	263,319,593	133,615,119	-	(129,704,474)	51 %	109 %	-	-	-	130,717,267
Remuneration of councillors	9,079,405	9,482,651	18,562,056	-	-	18,562,056	9,405,021	-	(9,157,035)	51 %	104 %	-	-	-	8,520,412
Debt impairment	53,328,128	78,257,775	131,585,903		-	131,585,903	57,167,595	-	(74,418,308)	43 %	107 %	-	-	-	70,597,892
Depreciation & asset impairment	164,918,096	49,650,301	214,568,397		-	214,568,397	211,406,324	-	(3,162,073)	99 %	128 %	-	-	-	213,940,384
Finance charges	1,880,000	991,092	2,871,092	-	-	2,871,092	1,041,053	-	(1,830,039)	36 %	55 %	-	-	-	1,265,372
Bulk purchases	54,000,000	53,486,975	107,486,975	-	-	107,486,975	52,561,888	-	(54,925,087)	49 %	97 %	-	-	-	48,436,867
Contracted services	5,500,000	7,838,567	13,338,567	-	-	13,338,567	7,259,404	-	(6,079,163)	54 %	132 %	-	-	-	5,653,064
Transfers and grants	15,665,000	15,385,860	31,050,860	-	-	31,050,860	3,876,829	-	(27,174,031)	12 %	25 %	-	-	-	8,178,319
Other expenditure	66,355,458	74,722,133	141,077,591	-	-	141,077,591	80,876,237	-	(60,201,354)	57 %	122 %	-	-	-	72,476,642
Total Expenditure	**493,760,863**	**430,100,171**	**923,861,034**	**-**	**-**	**923,861,034**	**557,209,470**	**-**	**(366,651,564)**	**60 %**	**113 %**	**-**	**-**	**-**	**559,786,219**
Surplus/(Deficit)	**(52,937,540)**	**7,755,914**	**(45,181,626)**	**-**		**(45,181,626)**	**(105,227,348)**		**(60,045,722)**	**233 %**	**199 %**				**(114,290,085)**
Surplus/(Deficit) after capital transfers & contributions	**(52,937,540)**	**7,755,914**	**(45,181,626)**	**-**		**(45,181,626)**	**(105,227,348)**		**(60,045,722)**	**233 %**	**199 %**				**(114,290,085)**
Surplus/(Deficit) after taxation	**(52,937,540)**	**7,755,914**	**(45,181,626)**	**-**		**(45,181,626)**	**(105,227,348)**		**(60,045,722)**	**233 %**	**199 %**				**(114,290,085)**
Surplus/(Deficit) attributable to municipality	**(52,937,540)**	**7,755,914**	**(45,181,626)**	**-**		**(45,181,626)**	**(105,227,348)**		**(60,045,722)**	**233 %**	**199 %**				**(114,290,085)**
Surplus/(Deficit) for the year	**(52,937,540)**	**7,755,914**	**(45,181,626)**	**-**		**(45,181,626)**	**(105,227,348)**		**(60,045,722)**	**233 %**	**199 %**				**(114,290,085)**

Setsoto Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															

Setsoto Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**2,102,500**	**2,772,500**	**4,875,000**	**-**	**-**	**4,875,000**	**2,413,478**	**-**	**(2,461,522)**	**50 %**	**115 %**	**-**	**-**	**-**	**914,451**
Executive and council	2,500	2,500	5,000	-	-	5,000	86,918	-	81,918	1,738 %	3,477 %	-	-	-	118,654
Budget and treasury office	2,100,000	2,300,000	4,400,000	-	-	4,400,000	2,037,984	-	(2,362,016)	46 %	97 %	-	-	-	662,767
Corporate services	-	470,000	470,000	-	-	470,000	288,576	-	(181,424)	61 %	DIV/0 %	-	-	-	133,030
Community and public safety	**2,000,000**	**880,000**	**2,880,000**	**-**	**-**	**2,880,000**	**424,080**	**-**	**(2,455,920)**	**15 %**	**21 %**	**-**	**-**	**-**	**139,540**
Community and social services	-	-	-	-	-	-	6,588	-	6,588	DIV/0 %	DIV/0 %	-	-	-	28,680
Sport and recreation	1,000,000	400,000	1,400,000	-	-	1,400,000	177,449	-	(1,222,551)	13 %	18 %	-	-	-	5,000
Public safety	-	150,000	150,000	-	-	150,000	8,624	-	(141,376)	6 %	DIV/0 %	-	-	-	105,860
Housing	1,000,000	330,000	1,330,000	-	-	1,330,000	231,419	-	(1,098,581)	17 %	23 %	-	-	-	-
Economic and environmental services	**1,000,000**	**6,000,000**	**7,000,000**	**-**	**-**	**7,000,000**	**949,300**	**-**	**(6,050,700)**	**14 %**	**95 %**	**-**	**-**	**-**	**361,570**
Road transport	1,000,000	6,000,000	7,000,000	-	-	7,000,000	949,300	-	(6,050,700)	14 %	95 %	-	-	-	361,570
Trading services	**73,387,000**	**77,527,359**	**150,914,359**	**-**	**-**	**150,914,359**	**5,630,297**	**-**	**(145,284,062)**	**4 %**	**8 %**	**-**	**-**	**-**	**2,475,664**
Water	72,387,000	70,413,000	142,800,000	-	-	142,800,000	470,297	-	(142,329,703)	- %	1 %	-	-	-	2,447,219
Waste water management	-	6,089,359	6,089,359	-	-	6,089,359	4,709,598	-	(1,379,761)	77 %	DIV/0 %	-	-	-	-
Waste management	1,000,000	1,025,000	2,025,000	-	-	2,025,000	450,402	-	(1,574,598)	22 %	45 %	-	-	-	28,445
Total Capital Expenditure - Standard	**78,489,500**	**87,179,859**	**165,669,359**	**-**	**-**	**165,669,359**	**9,417,155**	**-**	**(156,252,204)**	**6 %**	**12 %**	**-**	**-**	**-**	**3,891,225**
Funded by:															

Setsoto Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2014/2013								2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	440,823,323	711,464,731	1,152,288,054	1,152,288,054	755,772,645	(396,515,409)	66 %	171 %	743,123,320
Government - operating	-	253,672,066	253,672,066	253,672,066	270,948,426	17,276,360	107 %	DIV/0 %	273,373,394
Interest	-	19,906,606	19,906,606	19,906,606	22,291,885	2,385,279	112 %	DIV/0 %	30,795,023
Dividends	-	29,974	29,974	29,974	29,974	-	100 %	DIV/0 %	28,114
Suppliers and employees	658,678,958	496,127,424	1,154,806,382	1,154,806,382	764,550,129	(390,256,253)	66 %	116 %	780,022,584
Finance charges	-	991,092	991,092	991,092	1,041,053	49,961	105 %	DIV/0 %	1,265,372
Transfers and Grants	-	15,385,860	15,385,860	15,385,860	3,876,829	(11,509,031)	25 %	DIV/0 %	8,178,319
Net cash flow from/used operating activities	**1,099,502,281**	**1,497,577,753**	**2,597,080,034**	**2,597,080,034**	**1,818,510,941**	**(778,569,093)**	**70 %**	**165 %**	**1,836,786,126**
Cash flow from investing activities									
Proceeds on disposal of PPE	-	-	-	-	(5,670,141)	(5,670,141)	DIV/0 %	DIV/0 %	(159,741)
Decrease (increase) other non-current receivables	-	-	-	-	(1,294)	(1,294)	DIV/0 %	DIV/0 %	(3,573)
Decrease (increase) in non-current investments	-	-	-	-	392,422	392,422	DIV/0 %	DIV/0 %	249,917
Capital assets	78,489,500	81,799,859	160,289,359	160,289,359	5,505,155	(154,784,204)	3 %	7 %	(1,485,300)
Net cash flow from/used investing activities	**78,489,500**	**81,799,859**	**160,289,359**	**160,289,359**	**226,142**	**(160,063,217)**	**- %**	**- %**	**(1,398,697)**
Cash flow from financing activities									
Borrowing long term/refinancing	-	-	-	-	(1,123,012)	(1,123,012)	DIV/0 %	DIV/0 %	(2,093,444)
Increase (decrease) in consumer deposits	-	-	-	-	40,970	40,970	DIV/0 %	DIV/0 %	73,255
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(1,082,042)**	**(1,082,042)**	**DIV/0 %**	**DIV/0 %**	**(2,020,189)**
Net increase/(decrease) in cash held	**1,177,991,781**	**1,579,377,612**	**2,757,369,393**	**2,757,369,393**	**1,817,655,041**	**(939,714,352)**	**66 %**	**154 %**	**1,833,367,240**
Cash/cash equivalents at the year begin:					32,172,094				6,808,224
Cash/cash equivalents at the year end:	**1,177,991,781**	**1,579,377,612**	**2,757,369,393**	**2,757,369,393**	**1,849,827,135**	**(939,714,352)**	**67 %**	**157 %**	